

ARMICS Q and A

Question: Do we have to have all corrective actions completed by June 30, 2008 when we certify that Stage 3 is complete?

Answer: No, corrective actions should be completed by June 30, 2009. However, significant material weaknesses should be reported and corrective actions taken as soon as possible to avoid serious negative impact on the Financial Reporting process.

Question: We are a small agency and some of the questionnaires do apply very well to our situation. How do we address this?

Answer: ARMICS was designed to be a flexible process to address the variation found among agencies. Please feel free to edit and adapt the questions to your particular situation. Just remember to ensure that the underlying concepts are still addressed. Also, if you have some operations that are not addressed by the questions, you should create questions to address the specific control issues at hand.

Question: Are all three stages to be completed in order?

Answer: No, in fact it is recommended that the stages be completed concurrently.

Question: If we identify a weakness and fully implement a corrective action before the Stage one deadline of September 30, 2007, do we have to list the weakness in the corrective action plan?

Answer: Absolutely yes, all weaknesses identified should be reported with corrective actions in Stage three. Be sure to state that the corrective action was implemented and tested if those processes were completed.

Question: What documentation do you recommend for testing?

Answer: What and how you document depends upon the nature of the item and your comfort with the ability to determine how things were done. Large documents that are only referred to once or twice can be documented by reference or kept as an acrobat file. You may want to keep a paper file of a document that was frequently used for cross-references with those references included.

Question: I am concerned that covering only the significant financial processes leaves many crucial internal control issues out of the process. Shouldn't we address these as well?

Answer: At this point we are only requiring agencies to address significant fiscal processes as part of Stage two. However, agencies are free to go further to apply the principles of stage two to other areas to identify and correct internal control weaknesses in program operations and other areas. Eventually, the ARMICS process will move forward to a full blown Enterprise Risk Management (ERM) model.

Question: Another agency processes expenditures in a very similar way that we do at our agency. Could I just copy their documentation and make it my own?

Answer: Not quite. If you do "Borrow" some documentation from another agency you must verify that it is your process before you call it your own. Some ways to do this would be to interview all employees along the process and compare the interview write-ups with the documentation. Also, test one transaction all the way through the process to ensure your way matches the documentation. Borrowing is fine, but make sure the documentation fits reality and document how you determined that the two do match.

Question: I am confused as to who should receive the questionnaires for Stage one. All agency managers or just to top directors of each function?

Answer: Who gets to answer the questions should vary by the question. In many instances the questions should flow all the way down to the lowest staff positions. It is important to know if top management's impression of the control environment matches what the employees think. Variances may be due to communication issues or misunderstanding on both sides of the equation.

Question: Could DOA provide templates to address common weaknesses such as Code of Ethics for agencies that do not have one?

Answer: Providing cookie cutter solutions across agencies is not a good way to address solving internal control weaknesses. Each agency is unique and standard approaches would only address the requirement to have something. The goal is to have functioning controls that an agency considers its own. State Police, Economic Development, and Social Services are three agencies. However, their missions and goals probably vary significantly. This variance should be reflected in each agency's strategic plan. Also, because of their emphasis on different matters their values and guiding principles would also vary. Given these differences each agency should have its own Code of Ethics emphasizing the concepts of what each agency is about. I would recommend that each agency explore their own Code of Ethics based on their purpose as an agency. A good time to do this would be when Strategic Plans are reviewed and top management comes together. In the interim an agency may want to adapt a stop gap Code of Ethics based on general key concepts until they can come together on a true agency based Code of Ethics.

Question: DOA received 14 new positions in the budget. Could these be used to directly provide one-to-one assistance to agencies to complete their ARMICS needs?

Answer: First of all only 4 of those new positions were designated for ARMICS. These positions will be used to perform quality assurance reviews once various stages are completed. If these people helped to implement ARMICS at an agency they would not be able to independently evaluate their own work at a later date. Also, these positions will not be available until August or September 2007. Since ARMICS is unique they will have to be trained before being deployed to perform reviews.

Question: September 30, 2007 is on a Sunday. Exactly when is the due date for Stage one?

Answer: Close of Business, Monday, October 1, 2007

Question: According to the Comptroller's Directive 1-07 - "Required Implementation of Agency Risk Management and Internal Control Standards," the description of Stage 3 - Corrective Action Plan requirements on pg. 2 states that for any significant weakness in internal controls identified in Stages 1 and/or 2, a corrective action plan must be submitted by June 30, 2008. In contrast, Appendix A (pg. 4) notes that if the assessment reveals a significant weakness, a corrective action plan should accompany the certification.

Put simply, if we were to find a significant weakness during our Stage 1 assessment, are we required to submit a corrective action plan with the September 30, 2007 certification or would it need to be submitted by June 30, 2008?

Answer: If a significant internal control deficiency were identified during Stage 1 or 2, the agency should submit a corrective action plan along with their certification statement for the applicable stage. The specific item and plan should also be included in the comprehensive Corrective Action Plan submitted by June 30, 2008.

The earlier submission allows DOA time to assess the impact of the deficiency on the Commonwealth as a whole. By also including it in the final CAP allows both DOA and the agency to track all findings in one place.

Question: Does Stage 1 require any testing?

Answer: Yes, the requirement is in the Comptroller's Directive as follows:

[Deliverables for the Agency's Assessment of Internal Control](#)

Stage 1 - Agency -Level Internal Control Assessment

Documentation of Assessment

o A description and evaluation...

o Documentation of the methods used to **TEST** the effectiveness of the agency-level controls AND the results of those **TESTS**

(Top of page 2 - (Just before Stage 2))

The depth of testing will vary with the subject material being tested. A test could be simply observing and briefly reviewing a document or drawing a sample of records to test an attribute. The professional choice of how to test is left to agency management.

Question: How much of the process should an agency document if the full processing of a transaction is shared by a central agency?

Answer: The agency should document the parts of the process for which it is responsible. The process documentation should state when the process is handed off to a Central agency or their system and when returned to the agency from the Central operation.

For Example: An agency using CARS to process expenditures goes through their agency controlled processes. Obtains a purchase order, invoice, and receiving report and releases the data into CARS. The agency process stops. CARS performs several processes and control edits. CARS generates reports and provides them to the agency (ReportLine). Now the agency is back into the process control picture on what they do with the various report output provided by CARS.

Question: Does an agency have to develop Corrective Action Plans for all weaknesses identified?

Answer: No, the Comptroller's Directive 1-07 and the ARMICS standards (Manual) only require that significant weaknesses in Internal Control be addressed by a Corrective Action Plan. However, it is recommended that other weaknesses be addressed when a cost effective solution to the weakness can be implemented.